

1 BEFORE THE  
2 ILLINOIS COMMERCE COMMISSION  
3 IN THE MATTER OF: )  
4 ) No. 00 -0194  
5 CITIZENS UTILITIES )  
6 COMPANY OF ILLINOIS )  
7 d/b/a CITIZENS WATER )  
8 RESOURCES )  
9 )  
10 Convenience and necessity )  
11 to provide water and )  
12 sanitary sewer service to )  
13 parcels in McHenry County )  
14 pursuant to Section 8-406 )  
15 of the Public Utilities )  
16 Act and for approval of a )  
17 contract.  
18  
19 Chicago, Illinois  
20  
21 August 1, 2000  
22  
23 Met, pursuant to adjournment,  
24  
25 at 10 o'clock a.m.  
26  
27 BEFORE:  
28  
29 MR. JOHN RILEY,  
30 Administrative Law Judge  
31  
32 APPEARANCES:  
33  
34 MAYER, BROWN & PLATT, by  
35 MS. KARA GIBNEY  
36 190 South LaSalle Street  
37 Chicago, Illinois 60603  
38 appearing for Citizens Utilities Company  
39 of Illinois;  
40  
41  
42

1 APPEARANCES (Cont'd.):

2 MR. ANDREW G. HUCKMAN and  
3 MR. STEVEN G. REVETHIS  
4 160 North LaSalle Street  
5 Chicago, Illinois  
6 appearing for Staff of the Illinois  
7 Commerce Commission.  
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17 SULLIVAN REPORTING COMPANY, by  
18 PATRICIA WESLEY, CSR, RPR  
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I N D E X

Witnesses:	Direct	Cross	Re - direct	Re - cross	By Examiner
Reed T. Scheppmann					
Bob Khan					
Theresa Ebrey					
Roy A. King					

E X H I B I T S

Citizens/ Petitioner's	For Identification	In Evidence
Nos. 1.0		
1.1		
2.0		
Late-Filed		
1.3		
1.4		
1.5		
ICC Staff CX		
No. 1		
ICC Staff		
Nos. 1.0		
2.0		

1 JUDGE RILEY: Pursuant to the authority of the  
2 Illinois Commerce Commission, I now call Docket No.  
3 00-0194. This is a petition by Citizens Utilities  
4 Company of Illinois for a Certificate of Public  
5 Convenience and Necessity to provide water and  
6 sanitary sewer service to parcels in McHenry County,  
7 pursuant to Section 8-406 of the Public Utilities  
8 Act, and for approval of a contract.

9 Beginning with petitioner's counsel,  
10 could I have appearances for the record, please.

11 MS. GIBNEY: Yes. Kara Gibney of Mayer, Brown &  
12 Platt, 190 South LaSalle, Chicago, Illinois, 60603,  
13 on behalf of Citizens Utilities Company of Illinois.

14 MR. REVETHIS: Steven Revethis and Andrew  
15 Huckman, Staff counsel appearing on behalf of the  
16 Illinois Commerce Commission Staff, Mr. Examiner,  
17 160 North LaSalle, Chicago, 60601.

18 JUDGE RILEY: Thank you.

19 Let the record reflect there are no other  
20 appearances for the record. Okay. Let the record  
21 reflect that there are none.

22 (No further appearances.)

1                   Ms. Gibney, as petitioner's counsel, are  
2 you prepared to go forward with your witnesses or  
3 were there any preliminary matters that you wanted  
4 to --

5       MS. GIBNEY: No preliminary matters I'm aware of  
6 and, yes, we are ready.

7       JUDGE RILEY: Okay. And your witness is?

8       MS. GIBNEY: Our first witness is Reed T.  
9 Scheppmann.

10                   (Whereupon,  
11                   Citizens/Petitioner's Exhibit  
12                   Nos. 1.0 & 1.1 were marked for  
13                   identification.)

14                   (Witness sworn.)

15       JUDGE RILEY: Please proceed.

16       MS. GIBNEY: Thank.

17                   REED T. SCHEPPMANN:  
18 Called as a witness herein, having been first duly  
19 sworn, was examined and testified as follows:

20                   DIRECT EXAMINATION

21                   BY

22                   MS. GIBNEY:

1       Q.    Mr. Scheppmann, could you state your name  
2   and business address.

3       A.    Reed T. Scheppmann, Citizens Utilities  
4   Company of Illinois, 1000 Internationale Parkway,  
5   Woodridge, Illinois.

6       Q.    And do you have in front of you two exhibits  
7   marked Citizens 1.0 and Citizens 1.1 entitled,  
8   "Direct Testimony of Reed T. Scheppmann and  
9   "Rebuttal Testimony of Reed T. Scheppmann?"

10      A.    Yes.

11      Q.    And is this your prepared testimony in this  
12   proceeding?

13      A.    Yes.

14      Q.    And it was prepared by you or at your  
15   direction?

16      A.    Yes.

17      Q.    Do you have any changes to your testimony?

18      A.    No.

19      Q.    If I were to ask you the same questions that  
20   are contained in your direct testimony and rebuttal  
21   testimony, would your answers be the same?

22      A.    Yes.

1 MS. GIBNEY: Your Honor, I would move for the  
2 admission of Citizens Exhibits 1.1 and 1.0 and I  
3 would offer the witness for cross-examination.

4 JUDGE RILEY: Is there any objection from Staf f  
5 counsel as to the admission of the two exhibits?

6 MR. HUCKMAN: There is not.

7 JUDGE RILEY: Then the exhibits are so admitted  
8 and the witness is --

9 (Whereupon,  
10 Citizens'/Petitioner's  
11 Exhibit Nos. 1.0 & 1.1 were  
12 received in evidence.)

13 MR. HUCKMAN: We have cross-examination for him.

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1 CROSS EXAMINATION

2 BY

3 MR. HUCKMAN:

4 Q. I'm Andrew Huckman of the Illinois Commerce  
5 Commission, Office of General Counsel, representing  
6 Staff.

7 First question, you had provided answers  
8 to Staff Data Request RAK1.8  
9 from Mr. King and in that request you indicated that  
10 Staff -- I'm sorry -- you indicated that Citizens  
11 had not contacted the Illinois Department of Natural  
12 Resources but deferred that responsibility to Terra  
13 Cotta; is that correct? And I'm asking specifically  
14 about what you indicated in the data request  
15 previously.

16 MS. GIBNEY: Could he maybe see a copy of that?

17 MR. HUCKMAN: Yes. Yes. We are providing the  
18 witness with a copy of their response to Data  
19 Request RAK1.20.

20 THE WITNESS: Yes.

21 MS. GIBNEY: Could I see it?

22 (Document tendered.)



1       MR. HUCKMAN:  Q  Since that data request, have  
2  you checked with Terra Cotta to see if they  
3  contacted the Department of Natural Resources?

4       A.    I have not.

5       Q.    Do you have any knowledge as to whether any  
6  contact has been made to the Department of Natural  
7  Resources?

8       A.    No.

9       Q.    So that still remains an open item?

10      A.    The issue is that Terra Cotta has  
11  constructed whatever facilities based on  
12  getting -- they have obtained the necessary permits  
13  to construct the facility that they have  
14  constructed.  At this point, we assume they have  
15  contacted all the appropriate parties.

16      Q.    So you are proceeding on the assumption that  
17  they have contacted the Department of Natural  
18  Resources but you did not have firsthand knowledge  
19  as to whether, in fact, they have done that?

20      A.    If that was, in fact, a requirement, yes.

21      Q.    Would you please be willing, once you have  
22  knowledge of contacting the Department of Natural

1 Resources, to provide a supplemental late-filed  
2 exhibit to your testimony any approvals that that  
3 department may issue?

4 A. Yes, if they have issued it, whatever they  
5 filed, and is issued.

6 MR. HUCKMAN: Is that something the Examiner's  
7 comfortable with?

8 JUDGE RILEY: Are we talking about a late-filed  
9 exhibit?

10 MR. HUCKMAN: File a supplemental exhibit to  
11 their testimony showing any responses that they have  
12 received from the Department of Natural Resources.

13 JUDGE RILEY: I don't have any problem with that,  
14 no.

15 MR. HUCKMAN: Okay.

16 THE WITNESS: Can I clarify the question?

17 MR. HUCKMAN: Q Is there something you would  
18 like to clarify about the --

19 A. Yes. You are asking who received, Terra  
20 Cotta or Citizens?

21 Q. I understand that Terra Cotta was suppose to  
22 receive information from the

1 Illinois -- was suppose to contact the Illinois  
2 Department of Natural Resources. You do not have  
3 firsthand knowledge of whether, in fact, they have  
4 done that. As Staff is concerned that that  
5 requirement be followed, we're asking that that  
6 information be provided to us. And since you are  
7 the available witness as to this matter, we're  
8 asking that you locate that material and append it  
9 as a late-filed exhibit to your testimony.

10 MS. GIBNEY: Can I interrupt for just a minute.

11 MR. HUCKMAN: Is that clear?

12 JUDGE RILEY: First of all, does the witness  
13 understand --

14 THE WITNESS: I understand the question.

15 JUDGE RILEY: -- the question?

16 MS. GIBNEY: Are you okay with -- I guess I just  
17 would like to clarify one thing. I'm not sure if  
18 it's a requirement on our part to provide that  
19 information. I mean, certainly if Terra Cotta has  
20 that information available, we'll pass it on to you,  
21 but I'm not sure if it's something that we have to  
22 go out and get or not, actually a requirement of

1 getting a certificate of service.

2 MR. HUCKMAN: It may be that that's the case. I  
3 don't want to speak one way or another to that, but  
4 what we're asking is that that be provided if it's  
5 something requested as part of a data request.

6 JUDGE RILEY: This is a data request to Terra  
7 Cotta?

8 MR. HUCKMAN: Correct. I'm sorry. This is to  
9 Citizens.

10 MS. GIBNEY: Terra Cotta is not a party to the  
11 proceedings.

12 JUDGE RILEY: This is a data request for  
13 Citizens. It's not heretofore been provided?

14 MR. HUCKMAN: Correct.

15 JUDGE RILEY: So it's a responsive data request?

16 MR. HUCKMAN: I'm sorry. The data request  
17 response was provided but the data request response  
18 indicated that the Illinois Department of Natural  
19 Resources had not yet been contacted.

20 We're seeking to learn if subsequently  
21 Terra Cotta has contacted the Department of Illinois  
22 Natural Resources -- the Illinois Department of

1 Natural Resources and that is the basis for our  
2 question and the basis for asking that these -- that  
3 any evidence of contact with that department be made  
4 a supplementary exhibit to Mr. Scheppmann's  
5 testimony so that we know for the record that that  
6 contact has been made by Terra Cotta.

7 JUDGE RILEY: Okay. Now could this be an actual  
8 tangible document or just a statement from Citizens  
9 that such contact has been made?

10 MS. GIBNEY: If I may clarify, maybe you would  
11 like to introduce the response that we gave. I  
12 think the response we gave wasn't that there wasn't  
13 any document, just that based on the fact that --  
14 and I don't want to testify here, so maybe I -- I  
15 think our response indicated that they had to have  
16 contacted them, otherwise, they probably wouldn't  
17 have been able to bill.

18 MR. HUCKMAN: Why don't we do that. Why don't we  
19 introduce what we marked as our Cross Exhibit 1 --  
20 Staff Cross Exhibit 1, Citizens' response to Data  
21 Request Part AK1.20.

22 JUDGE RILEY: Let me see it. Let me see a copy

1 of it. I'm sure I have got it in my file somewhere.

2 (Document tendered.)

3 MR. REVETHIS: We can provide additional copies.

4 MS. GIBNEY: So you are requesting that we  
5 provide some sort of documentation indicating that  
6 Terra Cotta has, indeed, obtained the necessary  
7 permits, like we state in this request; is that  
8 right?

9 MR. HUCKMAN: That is correct, unless  
10 Mr. Scheppmann is in a position to testify as to  
11 when this was done.

12 MS. GIBNEY: Okay.

13 MR. HUCKMAN: Well, my only question is it says  
14 -- it states affirmatively Terra Cotta Realty  
15 Company obtained the necessary permits for the  
16 construction of water and waste water facilities  
17 construction.

18 MR. REVETHIS: Really any correspondence  
19 indicating that this was done would be satisfactory  
20 if you are able to do that.

21 MS. GIBNEY: We'll certainly ask. I think Reed  
22 has a comment on that --

1 MR. REVETHIS: That's fine.

2 MS. GIBNEY: -- if that's all right with you.

3 MR. REVETHIS: Of course.

4 THE WITNESS: We'll contact and ask them for any  
5 communication they have had with the Department --  
6 Illinois Department of Natural Resources and provide  
7 a copy if they have anything such as that.

8 It's my understanding usually when  
9 there's an application for construction with the  
10 EPA, the EPA sends it out to various agencies and  
11 has requested feedback from those appropriate  
12 agencies and based on that feedback they issue  
13 the -- they do or do not issue the construction  
14 permit.

15 MR. HUCKMAN: Thank you.

16 MR. HUCKMANN: Q I will ask a related question  
17 regarding the same data request response, again  
18 RAK1.20, as to whether you have any firsthand  
19 knowledge of Terra Cotta contacting the Army Corp.  
20 of Engineers.

21 A. The answer is, no, I don't have any  
22 firsthand knowledge that they have contacted them

1 specifically.

2 Q. If there is any correspondence that you  
3 learn of relating to Terra Cotta contacting the Army  
4 Corp. of Engineers with regard to this project,  
5 would you be willing to provide that information as  
6 a late-filed exhibit to this proceeding in the same  
7 manner as you did the Illinois Department of Natural  
8 Resources' correspondence we have just discussed?

9 A. Yes.

10 Q. Thank you.

11 Under the proposed agreement that is  
12 attached to the petition, is Citizens proposing to  
13 purchase water facilities, including the backbone  
14 facilities, mains, hydrants, and services, and the  
15 water mains to the property line?

16 A. Yes.

17 Q. Is it also correct that under that proposed  
18 agreement Citizens proposes to refund initial  
19 investments Terra Cotta has made for water  
20 facilities as required by what we commonly refer to  
21 as the "Main Extension Rule," which is Section  
22 600.370 of the Commission's administrative rules?



1       A.     Yes.

2       Q.     Is it also correct that as customers receive  
3     water service from Citizens that Citizens will  
4     increase the amount of their investment in the water  
5     facilities by making refunds to Terra Cotta and  
6     thereby reducing Terra Cotta's contributions?

7       MS. GIBNEY:  I'm sorry.  Could you repeat  
8     that.

9       JUDGE RILEY:  Hold on.  Does the witness  
10    understand the question?

11    THE WITNESS:  The only question is on the end you  
12    said reduced contributions.  I'm not testifying that  
13    -- the accounting aspect of contributions or  
14    advances.  I normally refer to that as an advance to  
15    water facilities, so it would be reducing the  
16    advances.  So the answer is, yes, we would -- would  
17    increase our investments by refunding to Terra Cotta  
18    in accordance with the Main Extension Rule.

19    MR. HUCKMAN:  Q    On Page 4 of your direct  
20    testimony you indicate that the sewage treatment  
21    plant is in the planning, permitting, and expansion  
22    stages with construction likely to commence in the

1 Year 2000; is that correct.

2 A. The planning, permitting, we expect to  
3 commence in the Year 2000.

4 Q. When would you expect to commence  
5 construction?

6 A. I wouldn't expect construction to commence  
7 at this time till probably 2001.

8 Q. What is the existing capacity of the present  
9 sewage treatment plant?

10 A. It's a 100,000 gallon per day capacity  
11 plant.

12 Q. Is it correct that Terra Cotta presently  
13 utilizes approximately 15 percent of the capacity of  
14 that sewage treatment plant?

15 A. Approximately, yes.

16 Q. And could you provide an explanation as to  
17 why the company is seeking to expand the present  
18 sewage treatment plant given that approximately 85  
19 percent of the plant is not presently being  
20 utilized?

21 A. The overall process of permitting, and  
22 construction, and start-up can be 18 months,

1 anywhere from a year to two years in life, depending  
2 upon what sort of obstacles you may run into in the  
3 overall permitting and so that to  
4 prepare for also proposed developments, the  
5 development has commenced with the single-family  
6 home development and townhouse development, so it's  
7 just looking forward to trying to be prepared so the  
8 development wouldn't have to be stopped because  
9 there's not capacity available.

10 Q. If development is completed, what percentage  
11 of capacity would you expect say two years down the  
12 road the plant to utilize?

13 JUDGE RILEY: I'm sorry?

14 MR. HUCKMAN: Strike that.

15 MR. HUCKMAN: Q If development is fully realized  
16 say two years down the road, at what percentage of  
17 capacity would you expect the present plant to be  
18 functioning.

19 A. There is a data request that was kind of  
20 along those lines -- I think it was in Bob Khan's  
21 data request -- which gave some projections. It was  
22 Data Request RAK1.24, which provided a one, five and

1 ten-year projection.

2 Q Do you want to take a look at this one.

3 (A brief pause.)

4 Let me continue by asking, other than  
5 Terra Cotta, at the present time are there any  
6 customers in the business park or in the residential  
7 development which are receiving sewer service  
8 presently from Citizens.

9 A. No.

10 Q. In the first phase of development, how many  
11 homes, apartments, and/or duplexes will be built,  
12 and how much development will there be in the  
13 business park, and also can you provide a date for  
14 completion of that first phase?

15 A. Are you defining the first phase as the  
16 residential -- first residential development, plus  
17 the townhome development, plus the 250-acre business  
18 park?

19 Q. Yes, we are.

20 A. And what was the question?

21 Q. In the first phase of development, how many  
22 homes, apartments, and/or duplexes, let's say

1 residential units, will be built and how much  
2 development will there be in the business park,  
3 whichever units are convenient for you, or if you  
4 wish to express that in terms of square footage,  
5 that's fine, or other units, and also what is the  
6 date for completion of that?

7 A. The single-family home development is I  
8 believe 97 single-family homes. The townhome  
9 development is proposed for 170 townhomes, and the  
10 business park I believe is about 250 acres, and it's  
11 undetermined when they'll be finished. It could  
12 have one user that uses up 250 acres. You could  
13 have 10 or you could have a multiple.

14 Q. Are you referring specifically to the  
15 business park with that answer?

16 A. Yes. Certainly the business park is more of  
17 a -- more of an undecided at this time. There  
18 doesn't seem to be any certain defining user. The  
19 single-family home development -- they're clearing  
20 ground on the townhouse development. How fast those  
21 sell out, I'm not exactly sure.

22 Q. Regarding the single-family home development

1 -- strike that. Regarding the residential component  
2 only, that phase can you assign a completion date to  
3 that first phase?

4 A. I think probably within the first five  
5 years.

6 Q. Of the 1440 acres mentioned in this  
7 petition, how many of those acres will see new home  
8 and business developments within say the next two  
9 years?

10 A. At this time we could only define what we  
11 have represented as Phase I. We're not -- we have  
12 not seen plans for a second phase.

13 Q. So your answer a moment ago that that's  
14 probably within five years the residential component  
15 may see completion would apply to the development of  
16 these 1440 acres as well?

17 A. I'm saying the residential components of the  
18 first phase, which is the single-family homes and  
19 the townhomes, expect to be completed within the  
20 first five years is a reasonable estimate I believe  
21 and beyond that it will be developer-driven.

22 Q. For the business park?

1       A.     For everything else.

2       Q.     Thank you.

3                     Did you provide assistance to Terra Cotta  
4 in designing the water and sewer facilities and  
5 submitting the required information to the  
6 Environmental Protection Agency for construction and  
7 operating permits?

8       A.     No.

9       Q.     Under the proposed agreement, I understand  
10 Terra Cotta would contribute the new sewer facility  
11 to be constructed serving the residential and  
12 business areas and the existing sewer -- sewage  
13 treatment plants to Citizens; is that correct?

14      A.     Yes.

15      Q.     Is it also correct that under Citizens'  
16 proposed agreement Citizens would gain approximately  
17 \$1,439,000 in -- I'm sorry -- \$1,439,350 of sewer  
18 facilities without making investments in those  
19 facilities?

20      A.     At Page 5 of my rebuttal testimony in  
21 rebuttal to Mr. King's testimony, I responded it's  
22 my belief that the \$1,439,350 is represented as the

1 gross plant which is a combination of the utility  
2 plant in service for existing waste water treatment  
3 plants and gross plant and for the waste water  
4 collection system of \$990,212.12 in change.

5 Q. And is it correct that you will gain those  
6 assets that you just mentioned without making  
7 investments in the sewer facilities?

8 A. At the date of purchase, I believe that's  
9 accurate.

10 Q. Have you had an opportunity to review the  
11 direct testimony of Roy A. King of Staff of the  
12 Illinois Commerce Commission in this proceeding?

13 A. Yes.

14 Q. I'd like to refer you to Page 13 of  
15 Mr. King's testimony. Do you have a copy available?

16 A. Yes.

17 Q. On Page 13 do you have see where Mr. King  
18 requests that Citizens provide the current  
19 percentage Citizens has invested in other sewer  
20 facilities it operates elsewhere in the State of  
21 Illinois and supporting work papers?

22 JUDGE RILEY: Page 13 of Mr. King --



1 MR. HUCKMAN: Page 13 of Mr. King's direct  
2 testimony.

3 MS. GIBNEY: What line were you at? I'm sorry.

4 MR. HUCKMAN: I'm sorry?

5 MS. GIBNEY: What lines were you referring him  
6 to? I'm sorry.

7 MR. HUCKMAN: One moment.

8 (A brief pause.)

9 MR. HUCKMAN: Q I'd like to refer you to the  
10 sentence beginning at Line 17, which says, also, I'm  
11 recommending that it provide that information in  
12 their rebuttal testimony in all supporting documents  
13 developing the percentage amount. Do you see the  
14 line to which I refer.

15 A. Yes.

16 Q. Has Citizens provided the information to the  
17 Commerce Commission that Mr. King's testimony  
18 requests?

19 A. Mr. King requested in his testimony to  
20 provide the information, and my rebuttal testimony  
21 on Page 5, the first Q and A -- just a second --  
22 represents about half way through the answer that

1 approximately 11/2 percent of the 94 million in  
2 gross plant is representative of the company's 1999  
3 annual report on file with the Commission, which is  
4 the 1.4 million referred to by Mr. King is about  
5 11/2 percent of the gross plant of the company and  
6 that the net investment on file with the Commission  
7 reflects \$45 million 895 and \$ 665 (sic).

8 Q. Referring to the agreement attached to  
9 Citizen's petition, under that agreement is it also  
10 true that any expansion of the sewage treatment  
11 plant will be designed and financed by Terra Cotta  
12 with Citizens not investing funds in those proposed  
13 sewer facilities?

14 A. That is the business arrangement that  
15 Citizens does have the option to invest under  
16 certain conditions.

17 Q. Does Citizens plan to make such investment?

18 A. It's undetermined at this time.

19 Q. I'd like to refer you to a provision in one  
20 of Citizens' tariffs, and this is Citizens Utilities  
21 Company of Illinois sanitary sewage tariffs, and in  
22 the schedule of rates and charges for sewer

1 provision 15.00, the sewage treatment plant  
2 connection fee, which I will show you, is that a fee  
3 that you will be applying to future residential and  
4 commercial customers connecting to Citizens' sewer  
5 collection system?

6 A. Sewer treatment plant connection fee  
7 reference there of \$658 PE will not be charged to  
8 connections because Terra Cotta hasn't constructed  
9 the facilities nor constructed the expansion  
10 facilities.

11 MR. HUCKMAN: That is all of my questions. Thank  
12 you.

13 JUDGE RILEY: Redirect?

14 MS. GIBNEY: Could we take a few minutes?

15 JUDGE RILEY: Sure.

16 MS. GIBNEY: Thank you.

17 (Off the record.)

18 JUDGE RILEY: We're back on the record and you  
19 have redirect examination for the witness?

20 MS. GIBNEY: Yes. Thanks.

21 JUDGE RILEY: Will you please proceed.

22

1 REDIRECT EXAMINATION

2 BY

3 MS. GIBNEY:

4 Q. Mr. Scheppmann, you were asked some  
5 questions about the 1,400,000-plus dollars in sewer  
6 facilities that Citizens will be obtaining. Will  
7 Citizens be earning anything off of those  
8 facilities?

9 A. That's the gross utility plant and the  
10 company does not earn a return on that. The company  
11 only earns a return on the net utility plant.

12 Q. Okay. And will Citizens be investing money  
13 in the upkeep of those facilities?

14 A. Yes, the company will be investing in the  
15 continued operation and operating requirements as  
16 necessary to -- as necessary to operate in the  
17 future.

18 MS. GIBNEY: I believe that's all we have.

19 JUDGE RILEY: Any recross?

20 MR. HUCKMAN: No.

21 JUDGE RILEY: Mr. Scheppmann, thank you.

22 At this time did you want to call another

1 witness? Do you have a second witness?

2 MS. GIBNEY: Yes, we do. We would like to call  
3 Bob Khan.

4 (Whereupon, Citizens Exhibit  
5 No. 2.0 was marked for  
6 identification.)

7 (Witness sworn.)

8 JUDGE RILEY: Please proceed.

9 MS. GIBNEY: Thank you.

10 BOB KHAN

11 called as a witness herein, having been first duly  
12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY

15 MS. GIBNEY:

16 Q. Mr. Khan, please state your name and  
17 business address.

18 A. Bob Khan, Citizens Utilities Company of  
19 Illinois, 1000 Internationale Parkway, Woodridge,  
20 Illinois, 60517.

21 Q. And do you have in front of you what's been  
22 marked as Citizens Exhibit 2.0, "The Direct

1 Testimony of Bob Khan?"

2 A. Yes, I do.

3 Q. And this was testimony prepared by you or at  
4 your direction?

5 A. Yes, it was.

6 Q. And do you have any changes?

7 A. No.

8 Q. And if I were to ask you the same questions  
9 contained in your testimony today, would your  
10 answers be the same?

11 A. Yes.

12 MS. GIBNEY: Okay. Your Honor, I would move for  
13 the admission of Citizens Exhibit 2.0 and I would  
14 offer the witness for cross-examination.

15 JUDGE RILEY: Is there any objection to admission  
16 of Petitioner's 2.0?

17 MR. HUCKMAN: No, there is not.

18 JUDGE RILEY: The exhibit is admitted.

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1 (Whereupon,  
2 Citizens'/Petitioner's  
3 Exhibit No. 2.0 was received  
4 in evidence.)

5 And the witness is tendered for cross  
6 examination.

7 CROSS EXAMINATION

8 BY

9 MR. HUCKMAN:

10 Q. Mr. Khan, I'm Andrew G. Huckman of the  
11 Office of General Counsel representing Commission  
12 Staff. I have a question for you beginning on Page  
13 4 of your direct testimony. Is it correct that you  
14 indicated Citizens has approximately 72,000  
15 customers?

16 A. Customer connections.

17 Q. Customer connections? Is it fair to say  
18 that of those customer connections Citizens provided  
19 water service to approximately 35,000 customers and  
20 of those 35,000 customers 32,000 of them take sewer  
21 service from Citizens as well?

22 A. Approximately, that is correct.

1       Q.    Is it also true that at the time this  
2 petition was filed the new water mains, and wells,  
3 and hydrants, lift stations, and water and sewer  
4 services had to be constructed to provide water and  
5 sewer service to a portion of the area for which  
6 service is proposed?

7       A.    Construction was already completed for the  
8 facilities.

9       Q.    At present, have any customers connected to  
10 the water, sewer -- the water and sewer system that  
11 you have just referred to?

12      A.    There's some model homes that have  
13 been -- that are under construction. I do not  
14 believe they're taking service right now.

15      Q.    So for the existing facilities -- strike  
16 that. Except for existing water and sewer  
17 facilities, which we have just referred -- I'm  
18 sorry. I'm going to withdraw and begin again.

19                So the only facilities presently being  
20 utilized are the existing water facility -- water  
21 and sewer facilities to which you have just  
22 referred; is that correct?



1       A.    I'd like to clarify.  I guess the question  
2 before this one where you're referring to facilities  
3 being constructed where you're referring, there are  
4 two portions.  There is an existing Terra Cotta  
5 manufacturing facility, which have existing wells  
6 and a sewage treatment plant, and there's this new  
7 development, which was under construction, and some  
8 of it is still under construction.

9       Q.    I understand my question to relate to the  
10 existing facilities which have already been  
11 constructed.

12      A.    Can you repeat that question, please.

13      Q.    This is the second question that I have  
14 asked you.

15      A.    Can you repeat it, please.

16      Q.    Yes.  It is true at the time the petition  
17 was filed that the new water mains, wells, hydrants,  
18 lift stations, and water and sewer services had been  
19 constructed already to provide water and sewer  
20 service to a portion of the proposed area?

21      A.    Yes, that is correct.

22      Q.    And no customers have yet attached to that

1 system other than the model homes to which you  
2 refer; is that correct?

3 A. That is correct .

4 Q. So the only facility presently being  
5 utilized is the existing water and sewer facilities  
6 serving Terra Cotta, correct?

7 A. That is correct.

8 Q. When did Terra Cotta approach Citizens about  
9 acquiring the water and sewer facilities  
10 approximately?

11 JUDGE RILEY: Mr. Khan, you can't confer with Mr.  
12 Scheppmann for your answer. You have to answer or  
13 say I don't know.

14 THE WITNESS: I don't know at this time.

15 MR. HUCKMAN: Q Did you or any member of  
16 Citizens' staff provide assistance to Terra Cotta in  
17 designing the water and sewer facilities.

18 A. No, we did not.

19 Q. And did you provide any assistance to Terra  
20 Cotta in submitting required information to the  
21 Illinois Environmental Protection Agency for  
22 construction and operating permits?

1       A.    No, we did not.

2       Q.    Do the permits that the Illinois  
3 Environmental Protection Agency, to the best of your  
4 knowledge, show Citizens as the owner and operator  
5 of the water and sewer system?

6       A.    I think they're in the name of Terra Cotta.

7       Q.    Do you know the approximate date on which  
8 those permits were issued?

9       A.    No, I don't.

10      Q.    Would you be willing to provide, as a  
11 supplementary exhibit to your direct testimony, a  
12 copy of those permits if they're available to you?

13      A.    Yes, we can.

14      MS. GIBNEY: Can I clarify for a moment what he's  
15 asking for.

16      JUDGE RILEY: Go ahead. Sure.

17      MS. GIBNEY: I'm not sure if I'm understanding.  
18 How is this different than documents we are going to  
19 provide you?

20      MR. HUCKMAN: It may well be there's an overlap  
21 in this documentation that the documents I'm asking  
22 Mr. Khan to submit are similar to or perhaps

1 identical to the documents I have previously asked  
2 Mr. Scheppmann to submit.

3 MS. GIBNEY: So you want us to provide, if it's  
4 available, any documentation Terra Cotta may have  
5 from these agencies as well as any permits they may  
6 have received; is that right?

7 MR. HUCKMAN: That's correct.

8 MS. GIBNEY: Okay.

9 MR. HUCKMAN: Q On Staff Data Request RAK1.21,  
10 Citizens provided a response indicating that it has  
11 not contacted the Illinois Historic Preservation  
12 Agency to determine whether any proposed  
13 certificated areas had been identified as historical  
14 or archeological, that that is a responsibility that  
15 has been referred to Terra Cotta. Is that a correct  
16 characterization of the response.

17 A. Generally when you apply for an Illinois EPA  
18 construction permit, Illinois EPA sends requests to  
19 these agencies and we do it for other construction  
20 projects. They'll contact the Historical  
21 Preservation Society and they'll get a letter from  
22 them. We have not contacted them and all we're

1 saying Terra Cotta has obtained the required  
2 permits.

3           Generally, the EPA doesn't show a permit  
4 until they have a sign-off from the Historical  
5 Society.

6       Q.    So the sign-off -- if I understand you  
7 correctly, the sign-off from the Illinois Historic  
8 Preservation Agency would be a part of the materials  
9 we have previously referred to from the Illinois  
10 Environmental Protection Agency to the best of your  
11 knowledge?

12      A.    It may be. I have not seen any documents  
13 from there.

14      Q.    Okay. In response to Staff Data Request  
15 RAK1.28, you indicated that it was your  
16 understanding Terra Cotta has received all necessary  
17 approvals for this project; is that correct?

18      A.    That is our understanding, yes.

19      Q.    Since responding to Staff data request, have  
20 you checked with the Village of Prairie Grove,  
21 McHenry County, and the State Department of  
22 Transportation regarding permits for constructing

1 water and sewer lines across state and county roads?

2 A. No, we have not specifically checked with  
3 those agencies.

4 Q. Is there a reason you have not checked?

5 A. Facilities are underground and we have seen  
6 some of the permits. We don't have any reason to  
7 believe that we need to check.

8 Q. Am I to understand that you have no reason  
9 to believe that there's a need to check because the  
10 sewer facilities do not cross any village, county,  
11 or state roads where permits would be required?

12 A. To the best of my knowledge, they go through  
13 easements.

14 Q. If construction of the homes and businesses  
15 proceed according to the projections you have  
16 provided, when would Citizens plan to expand the  
17 capacity of the existing sewage treatment plant?

18 And that can be expressed in terms of time. That  
19 may be expressed in terms of number of customers or  
20 any unit you would find convenient.

21 A. I'll express it in terms of PEs. The plant  
22 has about capacity -- additional capacity for 800

1 PEs.

2 Q. Just to clarify, could you state what the  
3 abbreviation PE is?

4 A. Yes. PE stands for Population Equivalent.  
5 And their single-family home is 3 1/2 Population  
6 Equivalent.

7 Q. What PE would Citizens plan to expand the  
8 capacity of existing plant?

9 A. It has capacity for 800 PEs to be connected,  
10 and, like Reed has mentioned in his  
11 cross-examination, we have to plan ahead because  
12 there's an -- it's a lengthy process to get  
13 approvals and start construction. We'll determine  
14 when we're approaching the usage of that capacity  
15 we'll start the construction process.

16 Q. In such instance, what modifications would  
17 you make to the plant and what type of additional  
18 capacity would be added?

19 A. Those options have -- still are being  
20 considered and we have not finalized exactly what  
21 those modifications would be. There's a number of  
22 options. We haven't finalized those.

1 Q. At the present time is the existing plant,  
2 being the existing sewage treatment plant, being  
3 fully utilized?

4 A. No, it's -- it is a hundred thousand gallons  
5 of the plant and the average sewage they're treating  
6 right now from Terra's manufacturing facility is  
7 about 13,000 gallons a day.

8 MR. HUCKMAN: Thank you. We have no other  
9 questions.

10 JUDGE RILEY: Redirect?

11 MS. GIBNEY: We need a couple of minutes.

12 (Whereupon, a recess was  
13 taken.)

14 JUDGE RILEY: We're back on the record and  
15 redirect exhibit of Mr. Khan.

16 MS. GIBNEY: Thanks.

17 REDIRECT EXAMINATION

18 BY

19 MS. GIBNEY:

20 Q. Mr. Khan, you were asked some questions  
21 about whether or not Terra Cotta had obtained the  
22 necessary permits and approvals in this case and I



1 would like to refer you to the Asset Purchase  
2 Agreement between Terra Cotta and Citizens. It was  
3 attached to the petition I think.

4 Would you like to show him yours real  
5 quick.

6 (Document tendered.)

7 You can take a look at his, if you like,  
8 real quick. Okay. If you would for the record  
9 please read 13A into the record.

10 A. Yes. Section 13 is the representations  
11 and warranties of Terra Cotta and state that Terra  
12 is a corporation duly organized, validly existing,  
13 and in good standing under the laws of the State of  
14 Illinois. It has all necessary corporate powers to  
15 own its properties and to carry on its business,  
16 including the private water and sewer collection  
17 system, as now operated by it.

18 Terra Cotta has all appropriate authority  
19 (sic), governmental permits, consents, licenses, and  
20 other authorizations, which are necessary in any  
21 respect to own property and to carry on its business  
22 as presently being conducted.

1       Q     Now based on this representation, do you  
2 have any reason to believe that Terra Cotta does not  
3 have all of the permits necessary.

4       A.     No, I do not.

5       MS. GIBNEY:   That's all we have.

6       JUDGE RILEY:   Any recross?

7       MR. HUCKMAN:   No.

8       MR. REVETHIS:   No.

9       JUDGE RILEY:   Mr. Khan, thank you.

10               Before we go any further with regard to  
11 these late-filed exhibits, there were two from  
12 Mr. Scheppmann's direct or from  
13 Mr. Scheppmann's cross-examination and there are two  
14 from Mr. Khan's cross-examination that may be the  
15 same or similar. How are they to be marked? These  
16 are going to be late-filed exhibits.

17               Let's deal with the one from  
18 Mr. Scheppmann's testimony first. This is tangible  
19 evidence that Terra Cotta Realty had contacted the  
20 Illinois Department of Resources and the Army Corp.  
21 of Engineers; is that essentially correct?

22       MR. REVETHIS:   Yes.

1 JUDGE RILEY: Is that what I'm looking for? This  
2 is going to be a Staff or petitioner's exhibit. It  
3 will be a petitioner's exhibit if they're submitting  
4 it.

5 MS. GIBNEY: Yes.

6 MR. REVETHIS: And certainly if there's  
7 duplication, one will satisfy the other. It's not a  
8 problem certainly.

9 JUDGE RILEY: Then -- and we are looking at two  
10 of them, right?

11 MS. GIBNEY: Two separate ones for --

12 JUDGE RILEY: This is what I'm wondering.

13 MR. HUCKMAN: My understanding was that there  
14 was information requested regarding the Illinois  
15 Environmental Protection Agency from Mr. Scheppmann  
16 and information regarding the Army Corp. of  
17 Engineers from Mr. Scheppmann.

18 JUDGE RILEY: Right.

19 THE WITNESS: I did our Illinois Department of  
20 Natural Resources and Army Corp. of  
21 Engineers --

22 MR. HUCKMAN: He is correct.

1 THE WITNESS: -- then Bob was the -- Bob was the  
2 EPA permit.

3 MR. KHAN: And the Historical Society.

4 JUDGE RILEY: I'm sorry. What was the other one?

5 MR. HUCKMAN: Based on my understanding, the  
6 Historic Preservation Agency material would be part  
7 of the EPA permit, so I would expect to have one  
8 supplementary exhibit to Mr. Khan's testimony from  
9 the Illinois Environmental Protection Agency and  
10 that that exhibit would reflect material, if any,  
11 from the Illinois Historic Preservation Agency.

12 (Citizens'/Petitioner's  
13 Late-Filed Exhibit Nos. 1.3 &  
14 1.4 will be marked for  
15 identification.)

16 JUDGE RILEY: Okay. I guess what I'm looking,  
17 how are we going to identify these from  
18 Mr. Scheppmann's testimony, Petitioner's Late-Filed  
19 Exhibits 1.3 and 1.4?

20 MS. GIBNEY: 1.3 and 1.4, sure.

21 JUDGE RILEY: And for Mr. Khan's cross  
22 examination, we'll just call it Petitioner's

1 Late-Filed Exhibit 1.5.

2 (Whereupon,  
3 Citizens'/Petitioner's  
4 Late-Filed Exhibit No. 1.5  
5 will be marked for  
6 identification.)

7 MS. GIBNEY: I would like to clarify, if I may,  
8 that we'll provide all documentation that Terra  
9 Cotta has, but we're not necessarily going to be  
10 producing or trying to obtain additional information  
11 other than what they may have in the record.

12 JUDGE RILEY: I understand that. This is my  
13 understanding. These are going to be submitted as  
14 late filed exhibits.

15 MR. HUCKMAN: Yes. Might I suggest we mark that  
16 2.1 because --

17 MS. GIBNEY: I'm sorry.

18 MR. HUCKMAN: I'm sorry. The final exhibit  
19 relating to Mr. Khan's exhibit is 2.1. we might  
20 want to mark that 2.1.

21 JUDGE RILEY: Fine. There was one other exhibit,  
22 the data request itself, wasn't it?

1 MS. GIBNEY: That was your exhibit.

2 MR. HUCKMAN: Yes. That would be a cross exhibit  
3 of the Staff of the Illinois Commerce Commission.

4 JUDGE RILEY: Staff Cross Exhibit 1 I guess my  
5 question is to make sure I get three copies of it.

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1                   (Whereupon, ICC Staff Cross  
2                   Exhibit No. 1 will be marked  
3                   for identification.)

4       MR. REVETHIS: We'll provide that today before  
5 the close of the day.

6       JUDGE RILEY: Okay. Counsel is there anything  
7 further in your case in chief?

8       MS. GIBNEY: No.

9       JUDGE RILEY: Then, Staff, are you prepared to  
10 call your witness?

11      MR. REVETHIS: If we may.

12      JUDGE RILEY: Okay. And who would your first one  
13 be?

14      MR. REVETHIS: Ms. Ebrey.

15      JUDGE RILEY: Ms. Ebrey, can you hear me?

16      MS. EBREY: Yes, I can.

17                   (Witness sworn.)

18      MS. GIBNEY: I'm sorry. Just to maybe speed  
19 things up, I'm not going to have any cross for  
20 either of your witnesses if you want to submit both  
21 of their testimonies together.

22      MR. REVETHIS: If that's agreeable.

1 JUDGE RILEY: To expedite this as much as  
2 possible, certainly. Mr. King is also sworn in.  
3 Please proceed.

4 MR. REVETHIS: Thank you, Mr. Examiner.  
5 (Whereupon, ICC Staff Exhibit  
6 No. 1.0 was marked for  
7 identification.)

8 THERESA EBREY,  
9 called as a witness herein, having been first duly  
10 sworn, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY

13 MR. REVETHIS:

14 Q. Ma'am, would you kindly state your name,  
15 title, and business address for the record, if you  
16 would, please.

17 A. My name is Teresa Ebrey. I'm an Accountant  
18 with the Accounting Department of the Financial  
19 Analysis Division of the Illinois Commerce  
20 Commission. My business address is 527 East Capitol  
21 Avenue, Springfield, Illinois, 62701.

22 Q. And, ma'am, do you have before you a



1 document which has been previously marked for  
2 purposes of identification as Illinois Commerce  
3 Commission Staff Exhibit 1.0 and entitled, "The  
4 Direct Testimony of Teresa Ebrey, Accounting  
5 Department, Financial Analysis Division of the  
6 Illinois Commerce Commission, dated May 24, 2000,"  
7 consisting of five pages of narrative testimony?

8 A. Yes, I do.

9 Q. And I ask you whether this testimony was, in  
10 fact, drafted by you or under your direction and  
11 control, ma'am?

12 A. Yes, it was.

13 Q. Are there any additions, modifications, or  
14 corrections you wish to make to your narrative  
15 testimony?

16 A. No.

17 Q. If you were, in fact, asked exactly the same  
18 questions here and now today, ma'am, would you, in  
19 fact, give exactly the same responses?

20 A. Yes, I would.

21 Q. Is it your intent that this be your direct  
22 testimony in this proceeding then?

1       A.     It is.

2       MR. REVETHIS:  Mr. Examiner, at this time I ask  
3     that the direct testimony of Teresa Ebrey, which has  
4     been previously marked for purposes of  
5     identification as Illinois Commerce Commission Staff  
6     Exhibit 1.0, consisting of five pages of narrative  
7     testimony, be admitted into the record at this time  
8     and we offer the witness for cross-examination.

9               Any objection to the exhibit?

10      MS. GIBNEY:  No.

11      JUDGE RILEY:  Okay.  Then the exhibit is so  
12     admitted.

13                       (Whereupon, ICC Staff Exhibit  
14                       No. 1.0 was received in  
15                       evidence.)

16               And, Ms. Gibney, you indicated that you  
17     do not have any questions on cross-examination for  
18     the witness.

19      MS. GIBNEY:  That's correct.

20      JUDGE RILEY:  Ms. Ebrey, thank you very much.

21      THE WITNESS:  Thank you.

22      JUDGE RILEY:  Counsel, did you want to call your

1 next witness?

2 MR. REVETHIS: If we may.

3 (Whereupon, ICC Staff Exhibit

4 No. 2.0 was marked for

5 identification.)

6 ROY A. KING,

7 called as a witness herein, having been first duly

8 sworn, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY

11 MR. REVETHIS:

12 Q. Sir, would you kindly state your name,

13 title, and business address for the record, if you

14 would, please.

15 A. Roy A. King. I'm a Utility Engineer in the

16 Finance Business Division. My business address is

17 527 East Capitol Avenue, Springfield, Illinois.

18 Q. Sir, do you have before you a document which

19 has been previously marked for purposes of

20 identification as ICC Staff Exhibit 2.0, which is

21 entitled the "Direct testimony of Roy A. King, Rates

22 Department, Financial Analysis Division of the

1 Illinois Commerce Commission," and dated May 24 ,  
2 2000, consisting of 14 pages of narrative testimony,  
3 sir?

4 A. Yes.

5 Q. And I ask you whether this document was, in  
6 fact, drafted by you or under your direction and  
7 control, sir.

8 A. It was drafted by me.

9 Q. Are there any additions, modifications, or  
10 corrections you wish to make to your narrative  
11 testimony, sir?

12 A. No.

13 Q. If I were to ask you the exact same  
14 questions here and now, would you, in fact, give  
15 exactly the same responses?

16 A. Yes.

17 Q. Is it your intent that this be your sworn  
18 direct testimony in this proceeding, sir?

19 A. Yes.

20 MR. REVETHIS: Mr. Examiner, at this time I ask  
21 that the direct testimony of Staff Witness Roy A.  
22 King, which has been previously marked for purposes

1 of identification as ICC Staff Exhibit 2.0, dated  
2 May 24, 2000, consisting of 14 pages of narrative  
3 testimony, be, in fact, admitted into evidence and  
4 we offer the witness for cross-examination also at  
5 this time.

6 JUDGE RILEY: Any objection to Staff Exhibit 2.0?

7 (No response.)

8 The exhibit is also admitted.

9 (Whereupon, ICC Staff Exhibit

10 No. 2.0 was received in

11 evidence.)

12 And, Ms. Gibney, you indicated you have

13 no questions on cross-examination for

14 Mr. King?

15 MS. GIBNEY: That's correct.

16 JUDGE RILEY: Thank you, Mr. King.

17 And, counsel, does that -- is there

18 anything further in your case?

19 MR. REVETHIS: No, I don't believe so,

20 Mr. Examiner, at this time.

21 JUDGE RILEY: Okay. That concludes the Staff's

22 case in chief, and the next issue then I take it is

1 a briefing schedule; is that correct?

2 MR. REVETHIS: Yes. If we can go off the record  
3 for a moment --

4 JUDGE RILEY: Okay.

5 MR. REVETHIS: -- and discuss some dates.

6 (Off the record.)

7 JUDGE RILEY: After a brief discussion off the  
8 record, we have discussed a briefing schedule and it  
9 has been determined that simultaneous initial briefs  
10 will be filed on September 14, 2000 to be followed  
11 by simultaneous reply briefs on October 3, 2000, and  
12 petitioner's counsel with her reply brief will  
13 submit a proposed order which the parties have  
14 agreed is not binding but may provide some guidance.

15 Is there anything further?

16 (No response.)

17 Then I'm going to direct that the court  
18 reporter mark this matter heard and taken and I'll  
19 await the submission of the briefs. Thank you very  
20 much.

21 MR. REVETHIS: Thank you, Mr. Examiner. Thank  
22 you, counsel.

1 HEARD AND TAKEN.

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